

# A Report to the Citizens of Tennessee

## Mission statement

The mission of the Comptroller's Office is to improve the quality of life for all Tennesseans by making government work better.

## Core values

- Honesty & Integrity
- Accuracy & Reliability
- Accountability

## Purpose

The purpose of the Comptroller's Office is to serve the people of Tennessee by:

- contributing to the protection of the public trust and promoting the public interest;
- enhancing effective public policy decisions at all levels of government; and
- fulfilling operational and oversight responsibilities as may be assigned with the highest possible degree of excellence, efficiency and effectiveness.

## Role of the Comptroller

The Comptroller of the Treasury is a constitutional officer elected by the General Assembly for a term of two years. State statutes prescribe his duties, including the audit of state and local government entities and participation in the general financial and administrative management of state and local government.

The Comptroller's Office is made up of 13 divisions which account for a wide range of responsibilities. The General Assembly created the Department of Audit in 1937 and made the Comptroller of the Treasury the administrative head of this department. The Department of Audit has three divisions (State Audit, County Audit and Municipal Audit). The other divisions that make up the Comptroller's Office are Administration, Capitol Print Shop, Management Services, Property Assessments, Local Government, Local Finance, Bond Finance, State Assessed Properties, State Board of Equalization and Offices of Research and Education Accountability.

The Comptroller is a member of more than 35 committees, boards and commissions which gives the Comptroller considerable knowledge and oversight of state government. Over the years, the General Assembly has expanded the Comptroller's duties to include property assessment, research, education accountability and oversight of local government debt.

## Strategic planning

The performance-based budget for the Comptroller's Office is based on the following strategic goals:

- Goal 1:** Assure public resources are used effectively, efficiently and in compliance with applicable law.
- Goal 2:** Accomplish and provide continuous improvement for the statutory and other assigned responsibilities of the Comptroller's Office.
- Goal 3:** Provide timely, adequate and accurate information to decision makers at all government levels.
- Goal 4:** Provide a diverse, competent, ethical and professional staff, and maintain continual development of such staff.
- Goal 5:** Provide and maintain effective communication with internal and external audiences.

## Number of employee certifications

2009

Certified Fraud Examiners	118
Certified Public Accountants	92
Certified Govt. Financial Managers	76
Tennessee Certified Assessors	37
Certified Assessment Evaluators	12
Certified Professional Secretaries	15
Residential Evaluation Specialists	15
Certified Information Systems Auditors	8
Other	41
<b>Total certifications</b>	<b>414</b>



## What's inside

- Office overview
- Accomplishments
- Financials
- Future challenges

# Our accomplishments

## Fraud, waste and abuse hotline — 1 (800) 232-5454

Since 1983, the Comptroller's Office has provided a toll-free hotline for reporting fraud, waste and abuse of government funds and property. Calls to the hotline are generally allegations of abuse or fraud as well as requests for assistance or information. The substantive calls are investigated by the Department of Audit and referred to the appropriate state agency or program for further investigation.

Although the Comptroller's Office most visible function is the audit function, the office, through its 13 divisions, carries out numerous statutory responsibilities. Within these divisions, several accomplishments have been achieved this year, and some are listed below:

### American Recovery and Reinvestment Act (ARRA) —

As a result of the \$787 billion Act signed into law February 2009, the State of Tennessee will receive approximately \$5.2 billion in federal funding for fiscal years 2009-2011. The Comptroller of the Treasury's Office is responsible for evaluating departments' administration and management of public funds and programs to assure that the proper checks and balances are in place. In addition, the office evaluates departments' compliance with laws, regulations, contracts and grant agreements. The office has begun auditing the ARRA funds and reviewing internal controls at recipient agencies to identify noncompliance and to minimize the risks of fraud, waste and abuse. The office has also begun auditing, training and education efforts to assist the county and municipal governments to manage and account for the local awards of ARRA funds appropriately.

During the year, the Comptroller of the Treasury's office completed audits of the State's ability to comply with both ARRA and other federal programs. In the fiscal year ending June 30, 2008, Tennessee received \$10.8 billion in federal funds, and the office audited \$7.7 billion, or 71% of those funds.



**Bonds** — For the first time, Tennessee citizens and other interested investors have the opportunity to purchase bonds issued by the State in the capital market. A new website — [www.buyTNbonds.com](http://www.buyTNbonds.com) — provides detailed information about the bonds, including a step-by-step process to purchase Tennessee bonds. Bonds are sold in a minimum denomination of \$5,000 and whole multiples thereof.

Traditionally, the State has sold bonds to large institutional investors. This move to include retail investors allows the citizens of Tennessee to invest in the state as bond sales occur periodically during the year and to enjoy tax-free interest income since the tax-exempt bonds offered are exempt from federal income tax and the Tennessee Hall Income Tax.

**IMPACT** — The Integrated Multi-Processing of Administrative and CAMA Technology (IMPACT) System is the largest software application project in the Office of the Comptroller. IMPACT will replace the collection of legacy systems and databases that support the business areas of the Division of Property Assessments, the Office of State Assessed Properties, and the State Board of Equalization. Among the many benefits of IMPACT, the new system allows the business areas to share dependent data, removing duplicate manual entry and reconciliation, introduces extended user-friendly function and features and standardizes forms and reports. When IMPACT is fully implemented, over 625 users will be transitioned to the new system.

**Proposed derivatives guidelines** — Upon election as Comptroller of the Treasury, Comptroller Wilson began a review of the State Funding Board's Guidelines for Interest Rate and Forward Purchase Agreements, which had not been revised since 2002. A local government must comply with the Guidelines in order to enter into an interest rate swap or a forward bond purchase agreement. The Comptroller solicited public input regarding proposed changes and will be presenting to the Board for approval a revised version of the Guidelines. More information can be found on the website at [www.tn.gov/comptroller/lffsfundbd.htm](http://www.tn.gov/comptroller/lffsfundbd.htm).

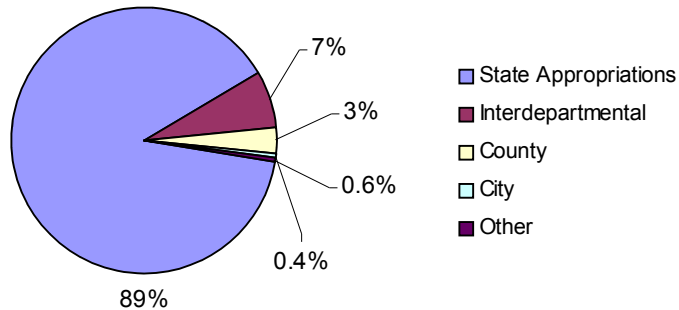
**Debt management system** — Currently, the Division of Bond Finance utilizes multiple spreadsheets, various computer reports and numerous manual processes to manage the State of Tennessee's debt. The new Debt Management System (DMS) is a single system that will standardize today's multiple processes and data sources into a single database managing Bond Finance operations. DMS will be integrated with Edison, the State's enterprise finance management system. The DMS project is currently in the design phase and is planned for implementation in 2010.

Comptroller service statistics	2009
Long term debt outstanding	\$1.665 billion
Overall interest rate on general obligation debt	4.48%
Value of centrally assessed properties	\$15.0 billion
Tax relief issued for qualified homeowners	\$21.7 million
Property tax billing documents provided to counties/cities	2.2 million
Department of Audit reports released	182
Department of Audit investigative audits released	27
Waste and abuse hotline calls	284
Research and Education Accountability reports issued	10
Opinions issued by the Open Records Counsel	28

# Comptroller of the Treasury financial

## Comptroller's Office sources of revenue

Fiscal year 2009 sources of revenue



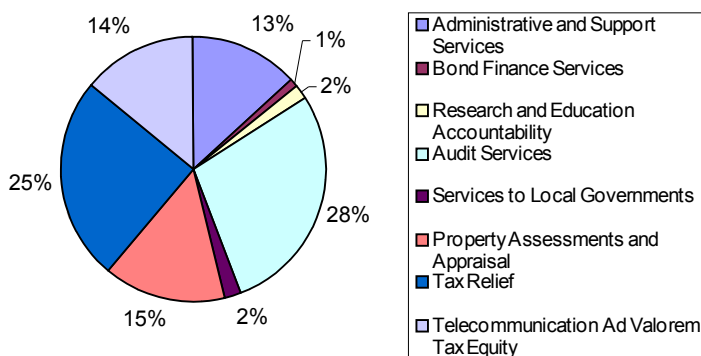
Fiscal year 2009 sources of revenue (millions)

State appropriations*	\$ 78.7
Revenue:	
Interdepartmental	6.0
County	2.8
City	0.3
Other	0.4
<b>Total funding sources</b>	<b>\$ 88.2</b>

\*FY 09 budget savings of approximately \$6.4 million reverted to the State's general fund

## Comptroller's Office expenses

Fiscal year 2009 expenses by governmental activity



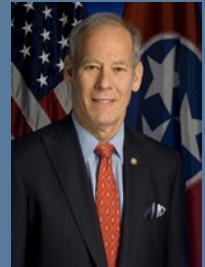
Fiscal year 2009 expenses by governmental activity (millions)

Operating expenses:	
Department of Audit	\$24.6
Property assessments and appraisal	13.4
Administrative & support services	11.8
Research and education accountability	1.6
Bond finance services	0.7
Local government services	0.6
Earmarked programs:	
Tax relief	21.7
Telecommunication tax equity	12.8
<b>Total expenses</b>	<b>\$88.2</b>

# Future challenges

## Quick facts

- Comptroller Justin P. Wilson became the 34<sup>th</sup> Comptroller of the Treasury in January 2009.
- Comptroller Wilson is a tax attorney by profession and an adjunct professor of Law at Vanderbilt University Law School.
- Comptroller Wilson has previously served in State government as Deputy Governor for Policy as well as Commissioner of Environment and Conservation.
- The Comptroller of the Treasury is a constitutional officer elected by both Houses of the General Assembly for a two-year term.
- Tennessee's Comptroller of the Treasury was created in 1836 by the General Assembly.



*Comptroller Justin P. Wilson*

## Making government work better

Change is the only constant, and in January 2009, the Tennessee Legislature elected a new Comptroller of the Treasury, Justin P. Wilson. Times change, and we change with them. A new leader establishes the vision for the future and sets the strategy for getting there, but at the same time, the Comptroller is committed to our mission of improving the quality of life for all Tennesseans by making government work better. His initiatives for the coming year include:

1. To assure that all federal funds received under the Recovery Act in Tennessee are fully accounted for and free of waste, fraud and abuse.
2. To evaluate and overhaul the state contract review and approval process for procurement of products and services for the State of Tennessee.
3. To assure that local governments are better informed and bond issues that cities and counties use for financing are transparent and free of conflicts of interest.



Fall colors in Tennessee. Picture taken by Comptroller employee, Kelcey Casson.

## Links of interest

**News releases:** [http://www.comptroller1.state.tn.us/RA\\_NR/NRreports.asp](http://www.comptroller1.state.tn.us/RA_NR/NRreports.asp)

**Open records opinions:** <http://www.tn.gov/comptroller/openrecords/opinions.htm>

**Property tax relief:** <http://www.tn.gov/comptroller/PA/PATxr.htm>

**Recovery related:** [www.tnrecovery.gov](http://www.tnrecovery.gov)

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**Reports and audit releases:** <http://www.comptroller1.state.tn.us/AuditsAndReportsSearch/Results1.aspx>

**Tennessee bonds:** <http://www.buytnbonds.com/>



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